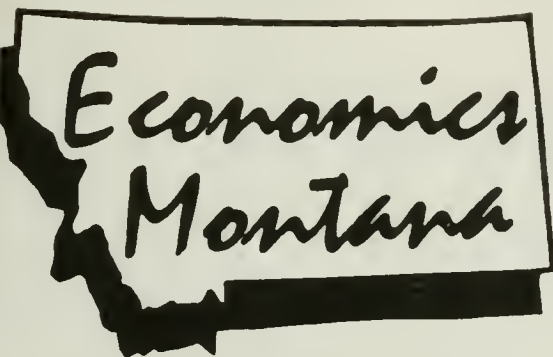


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Montana's economy will grow about 1.7 percent in 1989, bringing some good news to the state after nearly a decade of economic decline, according to a University of Montana researcher. Paul Polzin, director of the UM Bureau of Business and Economic Research, made that projection as part of the Economics Montana forecasting program, cosponsored by the bureau and U S WEST. To make its economic forecasts for Montana, the bureau uses national and state information from various sources.

"This is only a modest increase by U.S. standards, but it certainly looks good compared to the declines we've experienced in six of the last nine years," Polzin says.

Polzin attributes the projected growth to continued expansion in Montana's mining industries and modest increases in other sectors of the economy, combined with an ending of employment declines in oil and gas exploration and railroads.

"But all bets are off if the long-expected national recession occurs or if there are further plant closures," Polzin says. The longer term forecasts show continued growth for Montana, but at rates slower than the national average, Polzin says.

Montana's overall economic activity, as measured by non-farm labor income, will increase an average of about 1.5 percent per year during 1990 and 1991, Polzin projects. Comparable figures for the United States are about 2.3 percent per year, he says.

Personal income, one of the major determinants of consumer spending, will increase about 4.9 percent during 1989, Polzin says. This rise may be deceptively rosy, he says, because it will be partially due to the recovery of agriculture from the drought of 1988.

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The long-term projections for personal income also show Montana lagging behind the rest of the country, Polzin says. The state's personal income will increase an average of 1.4 percent per year in 1990 and 1991, compared to 1.9 percent per year for the nation, he says. Montanans can also expect improvements in employment opportunities, Polzin says. Non-farm wage and salary employment will increase by slightly more than 6,000 between 1988 and 1991, he says. In spite of this growth, the number of wage and salary jobs projected for 1991 is only scarcely higher than it was in 1979.

Table 1
Economic Trends for the U.S. Economy
1985-1991
Actual and Projected as of May 1989

	Actual				Projected		
	1985	1986	1987	1988	1989	1990	1991
Real GNP, percent change	3.4	2.8	3.4	3.9	2.9	1.7	3.2
Inflation (CPI), percent change	3.6	1.9	3.6	4.2	5.1	5.2	4.8
Interest rate, percent							
90-day T-Bills	7.5	6.0	5.8	6.7	8.8	7.8	7.7
Mortgage rate	11.6	10.3	9.3	9.2	10.7	9.9	10.1
Housing starts, millions	1.7	1.8	1.6	1.5	1.4	1.4	1.5
Unemployment rate, percent	7.2	7.0	6.2	5.5	5.5	6.0	5.7

Source: Wharton Econometric Forecasting Associates (May 1989).

Table 2
Employment, Montana 1985-1991
Actual and Projected as of May 1989
(In Thousands)

	Actual				Projected		
	1985	1986	1987	1988	1989	1990	1991
Nonfarm wage & salary jobs	279.3	275.5	275.9	279.0	281.0	282.2	285.3
Mining	6.8	5.8	5.7	6.2	6.8	7.2	7.7
Construction	11.5	10.2	8.6	8.5	8.8	8.8	8.9
Manufacturing	21.8	21.1	21.0	20.8	20.7	20.4	20.3
Wood & paper products	9.4	9.1	9.2	8.9	9.0	8.9	8.8
Other manufacturing	12.4	12.0	11.8	11.9	11.7	11.5	11.5
Transportation & utilities	20.7	20.4	19.6	19.4	19.1	18.7	18.8
Railroads	4.0	3.7	3.4	3.4	3.3	2.9	2.9
Nonrailroads	16.7	16.7	16.2	16.0	15.8	15.8	15.9
Trade	74.6	72.6	72.7	73.0	72.9	73.1	73.5
Wholesale trade	16.6	15.4	14.8	14.7	14.6	14.7	14.9
Retail trade	58.0	57.2	57.9	58.3	58.3	58.4	58.6
Finance, ins. & real estate	13.3	13.1	13.3	13.4	13.5	13.6	13.8
Services	60.6	62.1	65.0	66.9	68.1	69.1	70.6
Government	70.0	70.2	70.0	70.8	71.1	71.3	71.7
Federal (civilian)	12.8	12.7	13.2	13.5	13.6	13.7	13.7
State & local	57.2	57.5	56.8	57.3	57.5	57.6	58.0

Sources: Montana Department of Labor and Industry, Research and Analysis Division; and University of Montana, Bureau of Business and Economic Research, Economics Montana.

Table 3
Personal Income by Major Component, Montana 1985-1991
Actual and Projected as of May 1989

	Millions of Dollars						Millions of 1987 Dollars					
	Actual			Projected			Actual			Projected		
	1985	1986	1987	1988	1989	1990	1985	1986	1987	1988	1989	1990
Total personal income	9,095	9,569	9,948	10,185	11,224	11,885	9,733	9,999	9,948	9,775	10,253	10,351
Farm labor income	7	359	453	178	470	450	7	375	453	171	429	392
Nonfarm labor income	5,945	5,950	6,095	6,419	6,860	7,253	6,362	6,217	6,095	6,160	6,267	6,317
Agr. & forestry services	42	37	41	44	50	48	45	39	41	42	45	42
Mining	234	199	202	229	268	299	251	208	202	220	245	260
Metal mining	31	38	57	78	99	114	33	40	57	75	91	99
Coal mining	64	58	55	51	54	58	68	61	55	49	49	50
Oil & gas extraction	109	78	59	61	71	81	117	81	59	59	65	70
Nonmetal mining	30	25	31	39	44	47	32	26	31	37	41	42
Construction	424	420	395	416	442	461	454	439	395	399	404	401
Manufacturing	552	547	548	558	598	627	591	571	548	535	546	546
Wood & paper products	252	254	256	259	276	288	270	265	256	249	252	251
Other manufacturing	300	293	293	299	322	339	321	306	293	287	294	295
Transportation & utilities	695	678	686	680	722	749	744	708	656	652	660	652
Railroads	163	149	148	149	153	143	174	156	148	143	140	124
Nonrailroads	532	529	508	530	569	606	569	553	508	509	520	528
Trade	1,105	1,062	1,079	1,152	1,237	1,310	1,183	1,110	1,079	1,105	1,130	1,141
Wholesale trade	366	344	345	352	385	407	392	359	345	338	351	355
Retail trade	739	718	734	799	853	903	791	750	734	767	779	786
Finance, ins. & real estate	271	278	287	312	341	364	290	290	287	300	312	317
Services	1,295	1,386	1,492	1,591	1,694	1,804	1,386	1,448	1,492	1,527	1,547	1,571
Health	492	529	576	609	650	694	527	553	576	584	594	605
Nonhealth	803	857	916	982	1,044	1,110	859	895	916	943	953	967
Government	1,326	1,343	1,394	1,438	1,508	1,591	1,419	1,404	1,394	1,380	1,378	1,386
Federal	425	425	456	505	532	564	455	444	456	485	486	491
State & local	901	918	938	932	976	1,028	964	959	938	895	891	895
Adjustments to labor income	-407	-415	-431	-482	-515	-556	-436	-433	-431	-462	-471	-484
Social security contributions	-421	-427	-443	-494	-528	-568	-451	-446	-443	-474	-483	-495
Residence adjustment	14	12	12	12	13	12	15	13	12	12	12	11
Nonlabor income	3,550	3,675	3,832	4,070	4,409	4,737	3,799	3,840	3,832	3,906	4,028	4,126
Dividends, interest & rent	1,908	1,915	1,979	2,095	2,307	2,486	2,042	2,001	1,979	2,011	2,108	2,165
Transfer payments	1,642	1,760	1,853	1,974	2,102	2,251	1,757	1,839	1,853	1,895	1,920	1,961

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; and University of Montana, Bureau of Business and Economic Research, Economics Montana.

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